



CHILD PROTECTIVE SERVICES

BEECH BROOK

REPORT ON AGREED-UPON PROCEDURES

JANUARY 1, 1998 THROUGH DECEMBER 31, 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BEECH BROOK
REPORT ON AGREED-UPON PROCEDURES**

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**BEECH BROOK
SUPPLEMENT TO REPORT ON AGREED-UPON PROCEDURES
BOARD OF TRUSTEES AND ADMINISTRATIVE PERSONNEL
AS OF DECEMBER 31, 1998**

NAME	TITLE	TERM
BOARD OF TRUSTEES		
Adrian T. Dillion	President	October 1998 - October 2000
Cindy P. Crotty	V.P. Administration	October 1997 - October 1999
Samuel D. Smith	V.P. Development	October 1997 - October 1998
Ronald Harris	V.P. Finance	October 1998 - October 1999
Ronald F. Gymer	Treasurer	October 1997 - October 1999
Jeffrey W. Bennett	V.P.	October 1999 - October 2001
Teryl E. Dintaman	Member	October 1997 - October 1999
Bari E. Goggins, Esq.	Member	October 1997 - October 2000
Ronald Harris	Member	October 1998 - October 2000
Harry Holmes	Member	October 1996 - October 1998
Harry Johnson	Member	October 1998 - October 2000
William M. Koebnitz	Member	October 1997 - October 1999
Carol S. Markey	Member	October 1998 - October 2000
Gregory J. McGill	Member	October 1998 - October 2000
Kathy C. Pender	Member	October 1998 - October 2000
Mary Ellen Rodgers	Member	October 1997 - October 1999
Scott D. Roulston	Member	October 1997 - October 1999
Margy Russell	Member	October 1998 - October 2000
Thomas M. Seger, Esq.	Member	October 1998 - October 2000
Samuel D. Smith	Member	October 1997 - October 1999

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NAME	TITLE	TERM
BOARD OF TRUSTEES		
Richard D. Weber	Member	October 1997 - October 1999
Hannah S. Weil	Member	October 1997 - October 1999
Robert D. Whitehead	Member	October 1998 - October 2000
ADMINISTRATIVE PERSONNEL		
Mario Tonti	Executive Director	7/1/90 to Present
Debra Rex	Assistant Executive Director	3/4/91 to Present
Guy Thellian	Chief Financial Officer	6/1/98 to 11/3/2000
Sharon Owens	Controller	12/9/91 to 2/1/99

Agency Address

Beech Brook
3737 Lander Road
Pepper Pike, Ohio 44124



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

Independent Accountants' Report

Thomas J. Hayes, Director
Ohio Department of Job and Family Services
30 East Broad Street
Columbus, Ohio 43266-0423

Dear Director Hayes:

Pursuant to the memorandum of understanding signed July 6, 1999 between the Ohio Department of Job and Family Services¹ (ODJFS or Department), formerly known as the Ohio Department of Human Services (ODHS), and the Auditor of State (AOS), we have conducted a Child Protective Services/Special Title IV-E Review ("Review") and performed the procedures summarized below for Beech Brook (Placement Agency) for the period January 1, 1998 through December 31, 1998 ("the Period"). These procedures were performed solely to determine if the Placement Agency complied with the provisions of certain Federal and State laws and regulations applicable to a private noncustodial agency (PNA) and certain terms and conditions of its contract with Cuyahoga County Department of Children and Family Services (CCDCFS). The applicable laws, regulations, and the provisions of its contract are described in the attached *Supplement to Report on Agreed-upon Procedures* under *Legal Authority*.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the users of the report. The report on agreed-upon procedures is intended for the information of ODJFS, however, the report will be a matter of public record and its distribution will not be limited. Consequently, we make no representation regarding the sufficiency of the procedures discussed below for the purpose for which this report has been requested or for any other purpose. The procedures we performed are summarized as follows:

1. We performed procedures to determine whether the Placement Agency complied with the terms and conditions of its contractual agreements and provisions of applicable laws and regulations for expenditures during the Period.
2. We scanned all receipts and deposits from the applicable public children services agencies to Beech Brook for the Period to determine whether receipts were properly deposited and recorded in the accounting records of the Placement Agency.
3. We compared the Placement Agency's per diem paid to the foster parents with the corresponding per diem it received from Cuyahoga County Department of Children and Family Services Agency (CCDCFS) to determine the ratio of payments for administration and maintenance.
4. We documented information, obtained through inquiry and observation, on the Placement Agency's

¹ The merger of the Ohio Department of Human Services and the Ohio Bureau of Employment Services to become the Ohio Department of Job and Family Services (ODJFS) took effect July 1, 2000.

internal control policies and procedures relating to: 1) cash disbursements and expenses; 2) revenues; 3) personnel and payroll; 4) accounts receivable; 5) inventories; and 6) fixed assets.

5. We performed procedures to confirm internal administrative controls over compliance with the requirements of the Title IV-E program and the Ohio Admin. Code Chapter 5101:2.
6. We performed procedures to determine if Medicaid expenses were properly billed to the program.
7. We performed procedures to determine if there was proper monitoring of the Medicaid counseling.

On February 25, 2002, we held a post audit conference with the following:

<u>Name</u>	<u>Office/Position</u>
Mario Tonti	Beech Brook, President/CEO
Robert Nichlos	Beech Brook, CFO
Debra Rex	Beech Brook, Executive Vice President
Mike Burke	Beech Brook, Controller
Scott Wilkes	Beech Brook, Liason
Art Stackhouse	ODJFS, Chief Inspector
Gregory Kelly	Auditor of State, Asst. Chief Deputy
Carolyn Edwards	Auditor of State, Auditor in Charge
Samuel Long	Auditor of State, Assistant Auditor

Our detailed procedures and the results of applying these procedures are contained in the attached *Supplement to Report on Agreed-upon Procedures*. Because these procedures do not constitute an examination conducted in accordance with generally accepted auditing standards, we do not express an opinion or limited assurance on any of the accounts or items referred to above. Also, we express no opinion on the Placement Agency's internal control system over financial reporting or any part thereof. Had we performed additional procedures, or had we conducted an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you. This report addresses transactions relating to the above procedures only and does not extend to the financial statements of the Placement Agency, taken as a whole.

This report is intended for the information of the officials of ODJFS and is not intended to and should not be used by anyone other than this specified party. However, this report is a public record, and is available upon specific request.

JIM PETRO
Auditor of State

February 20, 2002

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BACKGROUND INFORMATION

In response to concerns about a lack of fiscal accountability and questionable business practices, a memorandum of understanding was signed July 6, 1999, between ODJFS (formerly ODHS) and the Auditor of State (AOS). This memorandum formalized an agreement that ODJFS and AOS would perform investigations utilizing certain agreed-upon procedures under the supervision of the AOS. The agreement called for the AOS to supervise the engagement, issue the report and provide training to selected ODJFS staff members. The procedures are being performed at twenty-five private agencies for periods beginning January 1, 1998 and extending for a minimum of twelve months or a maximum of eighteen months. This is the seventeenth report released of the 25 reports to be issued.

LEGAL AUTHORITY

Administration of Title IV-E Funds

Title IV-E of the Social Security Act authorizes the payment of federal funds to states to provide foster care to children who have been removed from their homes through a voluntary placement agreement or judicial determination.² The program is administered at the federal level by the Administration for Children and Families (ACF), United States Department of Health and Human Services.

In the State of Ohio, the Department of Job and Family Services acts as the single state agency to administer federal payments for foster care, and shall adopt rules to implement this authority.³ Within ODJFS, the program is administered by the Office of Children and Families.

At the local level, each county's public children services agencies (PCSA) or department of human services administers funds provided under Title IV-E of the Social Security Act in accordance with the rules adopted by the state Department of Human Services.⁴

Public Children Services Agency Contractual Requirements

Public Children Services Agencies (PCSAs) are authorized to enter into contracts with a private child placing agency (PCPA) or a private noncustodial agency (PNA) to provide care and services which it deems to be in the best interest of any child who needs or is likely to need public care and services.⁵ PCPA/PNAs are licensed by ODJFS to act as a representative of ODJFS in recommending family foster homes for certification; accept temporary, permanent and legal custody of children; and place children for foster care or adoption. Cuyahoga County Department of Children and Family Services (CCDCFS)⁶, a PCSA, entered into such an agreement with Beech Brook, a PNA.⁷

² 94 Stat.501(1980), 42 U.S.C. Section 671, as amended.

³ Ohio Rev. Code Section 5101.141(A). Rules established pursuant to this authority are found in Ohio Admin. Code Chapter 5101:2-47.

⁴ Ohio Rev. Code Section 5153.16(A)(14).

⁵ Ohio Rev. Code Section 5153.16(C)(2)(a)(v).

⁶ During the period of this engagement Cuyahoga County Department of Children and Family Services (CCDCFS) was undergoing a separate financial audit conducted by the AOS. We selected CCDCFS records for testing for Issues 2 and 3, because records were accessible and it was both cost and time efficient to do so.

⁷ Cuyahoga County Department of Children and Family Services Vendor Agreement for Foster Care, Residential Care, Emergency Shelter, Independent Living, Group Homes and Day Treatment Services between CCDCFS and Beech Brook originally dated January 27, 1998, for the period January 1, 1998 through December 31, 1998

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Billing Process

The PCPA or PNA submits an invoice monthly to the PCSA. The invoice contains specific information on each child, his or her per diem rate and the number of days in placement. Each month, the PCSA pays the PCPAs and PNAs based on their previous month's invoice, and reports to ODJFS the amount paid for each child and for other services including, but not limited to, case management, transportation for the children, recruiting and training foster parents.⁸

Reports and Records

Not-for-profit PCPAs and PNAs that provide foster care services for children eligible under the Title IV-E program are required to submit cost reports annually to ODJFS.⁹ Costs reported are used to determine a maximum allowable reimbursement rate under the Title IV-E program for foster care maintenance payments and administrative costs. ODJFS requires that the governing body of the PCPA or PNA authorize and review an annual audit with an opinion of the organization's finances by an independent certified or registered public accountant,¹⁰ and ODJFS asks that a copy of the last completed audit be submitted with the annual cost report.

OMB Circular A-110 provides, in pertinent part, "Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report . . ."¹¹

Cost Principles

Allowable administrative costs do not include the costs of social services provided to the child, the child's family or foster family which provide counseling or treatment to ameliorate or remedy personal problems, behaviors or home conditions.¹²

Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, establishes an audit requirement for federal funds (including Title IV-E funds) administered by state and local governments and non-profit entities, and authorizes auditors to question unallowed costs which appear to have resulted from a violation of law, regulation or other agreement governing the use of such funds, costs which are not supported by adequate documentation, or appear

⁸ Ohio Admin. Code Section 5101:2-47-11(G). Prior to 5/1/98, these requirements were generally contained in Ohio Admin. Code Section 5101:2-47-65(E).

⁹ Form ODHS 2910 Purchased Family Foster Care Cost Report is applicable to PCPAs and PNAs. Annual filing requirement is found in Ohio Admin. Code Section 5101:2-47-24(D). Prior to 5/1/98, the annual filing requirement was contained in Ohio Admin. Code Section 5101:2-47-20(C)(1).

¹⁰ Ohio Admin. Code Section 5101:2-5-08(A)(5). Effective 7/1/00, after the audit period, ODJFS amended this rule to provide that for PCPAs and PNAs with an annual gross income of less than \$300,000, it would be sufficient to prepare a written annual financial statement of the PCPA or PNA finances in accordance with generally accepted accounting principles. In addition to having the governing board authorize and review the required financial statements and audits, the amended rule requires agencies to submit them to ODJFS.

¹¹ Office of Management and Budget (OMB) Circular A-110 Uniform "Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations: Subpart C Paragraph 53(b).

¹² 45 C.F.R. Section 1356.60(c)(3) (1999); ODHS Administrative Procedure Letter No. 245, dated 9/22/97; ODHS Family, Children & Adult Services Procedure Letter No. 61, dated 9/9/98.

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unreasonable.¹³

ODJFS codified the cost principles to which the PCPAs and PNAs are subject to by promulgation of the Ohio Admin. Code Sections 5101:2-47-11(C) and 5101:2-5-08(G).

Ohio Admin. Code Section 5101:2-47-11(C), states: "Allowable and unallowable cost guidelines for use in completing the ODHS 2909 and ODHS 2910 are contained in rules 5101:2-47-25 and 5101:2-47-26 of the Administrative Code and the Office of Management and Budget (OMB) Circulars A-87 and A-122."¹⁴ Specifically, ODJFS considers certain costs to be unallowable for purposes of calculating the rate at which foster care maintenance costs can be reimbursed with federal Title IV-E funds including, but not limited to, contributions, donations, or any outlay of cash with no prospective benefit to the facility or program; entertainment costs for amusements, social activities, and related costs for staff only; and costs of activities prohibited under section 501(c)(3) of the Internal Revenue Code.¹⁵ Ohio Admin. Code Section 5101:2-5-08(G) states, "A PCPA or PNA shall not permit public funds to be paid or committed to be paid to any corporation, firm, association or business in which any of the members of the governing body of the agency, the executive personnel or their immediate families have any direct or indirect financial interest, or in which any of these persons serve as an officer or employee, unless the services or goods involved are provided at a competitive cost or under terms favorable to the PCPA or PNA. The PCPA or PNA shall make a written disclosure, in the minutes of the board, of any financial transaction of the PCPA or PNA in which a member of the board or his/her immediate family is involved."

The Office of Management and Budget Circular A-110 *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations* establishes standards for uniform administrative requirements for Federal grants and agreements with institutions of higher education, hospitals, and other nonprofit organizations. Subpart C of Circular A-110 set forth requirements regarding: financial and program management, property and procurement standards, reports and records and termination and enforcement.

Reimbursement Process

The reimbursement process begins early each fiscal year when ODJFS disburses funds to the counties under its state plan for foster care approved by the Secretary of the U.S. Department of Health and Human Services (HHS). ODJFS submits quarterly reports to the HHS for reimbursement of federal financial participation (FFP) in foster care payments¹⁶ made to the PCPAs or PNAs.

¹³ Pursuant to her rulemaking authority under the Single Audit Act, 31 U.S.C. Section 7505, the Secretary of the Department of Health and Human Services has promulgated a regulation which provides that state and local governments, as well as recipients and subrecipients that are non-profit organizations, are subject to the audit requirements contained in the Single Audit Act, 31 U.S.C. Sections 7501 et seq., and OMB Circular A-133. See 45 C.F.R. Section 74.26(b) and (a) (2000), respectively.

¹⁴ Prior to 5/1/98, applicable cost guidelines were contained in Ohio Admin. Code Sections 5101:2-47-63 and 5101:2-47-64.

¹⁵ Ohio Admin. Code 5101:2-47-26. Prior to 5/1/98, these requirements were contained in Ohio Admin. Code Section 5101:2-47-64.

¹⁶ Ohio Admin. Code Section 5101:2-47-11 recites the foregoing reporting and reimbursement requirements. Prior to 5/1/98, these provisions were recited in Ohio Admin. Code Sections 5101:2-47-20 and 5101:2-47-65.

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In 1998, the FFP was 58% for maintenance payments¹⁷ made and 50% for administrative costs¹⁸ incurred under the Title IV-E program.

Each PCSA negotiates a foster care per diem rate (which includes maintenance and administrative costs) for each foster child placed with a PCPA or PNA. Maximum allowable federal reimbursement under Title IV-E for maintenance payments and administrative costs are set by ODJFS. The PCPA/PNA may contract with foster parents at a different foster care per diem rate for each foster child.

Allowable Costs

In addition to the Ohio Administrative Code and the Office of Management and Budget Circular A-122 *Cost Principles for Non-Profit Organizations*, which govern allowable costs, Beech Brook is bound by the terms of a purchase of service agreement it entered with CCDCFS to provide specialized foster care, residential treatment of children with severe behavioral and emotional problems, and independent living services (hereinafter referred to as "The Agreement"). These services are set forth in Section 4 of the Agreement.

The Agreement provides that CCDCFS will reimburse Beech Brook at the stipulated per diem rate for the services delineated in Section 4 and described in Exhibit 1 of the Agreement. The Agreement also provides that Beech Brook will provide foster care maintenance, administrative case management, case planning activities and related administrative activities as set forth in Exhibit 3 of the Agreement.

Exhibit 3 of the Agreement is a complete copy of Ohio Admin. Code Section 5101:2-33-18, which is titled "Purchase of Service Agreements for Foster Care and Placement Services." That Ohio Administrative Code section describes foster care maintenance activities' as, "direct care and indirect management activities associated with room and board, daily supervision and care, and health-related services provided to children who are under the care and responsibility of a children services agency."¹⁹

Further, Ohio Admin. Code Section 5101:2-33-18(C), provides that, "Administrative case management and case planning activities" are, among other things, assistance from the providers of services, to the placement worker, under the purchase of services agreement, in activities such as: preparation for and participation in the judicial determination and review process, arranging for discharge and aftercare services, development of case plans and coordinating the provider's role in carrying out those plans.²⁰

In addition to setting forth the services which are deemed allowable costs for foster care providers, the Purchase of Services Agreement establishes inspection and retention requirements for financial records. In Section 15 of the Agreement, Beech Brook agreed that it would "maintain and preserve all records related to this Agreement in its possession and/or will assure the maintenance of such in the possession of any Third Party performing work related to this Agreement as specified by the Department and for a period of not less than three (3) years."²¹

Administration of Medicaid Services

¹⁷ 45 C.F.R. Section 1356.60(a)(2) (1999); ODHS Administrative Procedure Letter No. 245, dated 9/22/97; ODHS Family, Children & Adult Services Procedure Letter No. 61, dated 9/9/98.

¹⁸ 45 C.F.R. Section 1356.60(c)(1999); ODHS Administrative Procedure Letter No. 245, dated 9/22/97; ODHS Family, Children & Adult Services Procedure Letter No. 61, dated 9/9/98.

¹⁹ Ohio Admin. Code Section 5101:2-33-18(B).

²⁰ Ohio Admin. Code Section 5101:2-33-18(C).

²¹ Section 15, Availability and Retention of Records, Purchase of Service Agreement, dated 1/27/98, pg. 23.

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Beech Brook also receives Medicaid receipts for reimbursement of medical counseling services provided by Beech Brook to the foster children.

Administrative rules promulgated by the Ohio Department of Job and Family Services, Medicaid Division, place certain requirements on applications for reimbursement by providers.

Ohio Admin. Code Section 5101:3-4-02 generally provides for reimbursement of an eligible provider for certain services provided by non-physicians under the direct or general supervision of a physician, including services provided by social workers for the diagnosis and treatment of mental and emotional disorders as outlined in Ohio Admin. Code Section 5101:3-4-29.

Pursuant to Ohio Admin. Code Section 5101:3-4-29(D), reimbursements for such services under the Medicaid program go to the employing or contracting physician or clinic.

Ohio Admin. Code Section 5101:3-4-29(G) requires that these services, performed by a clinical social worker or CSW, must be billed using the following procedure codes:

H5010 Therapy, individual, by social worker, per hour.

H5020 Psychotherapy, group (maximum eight persons per group), by non-physician, forty-five to fifty minutes, per person, per session.

H5025 Psychotherapy, group (maximum eight persons per group), by non-physician, ninety minutes, per person, per session.

RESOLUTION OF QUESTIONED COSTS

Certain deficiencies identified in our Review may require us to report questioned costs to the U.S. Department of Health and Human Services and ODJFS.

OMB Circular A-133 defines questioned costs as follows:

“Questioned cost means a cost that is questioned by the auditor because of an audit finding:

- (1) Which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Federal funds;
- (2) Where the costs, at the time of the audit, are not supported by adequate documentation; or
- (3) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.”²²

The foster care program in Ohio is funded by a combination of federal, state and local funds. Historically the percentage of funding has averaged approximately 37% federal, and 10% state reimbursement, and 53% local. During fiscal year 1998 the percentage of funding was 40% federal, and 10% state reimbursement and 50% local funds. These funds are commingled when paid to the Placement Agency to perform the program functions for which it is certified by ODJFS to perform. The accounting systems of the Placement Agencies, in general, are not designed to classify or track expenditures by the source of funds and it is difficult, if not impossible to match expenditures that result in questioned costs with the corresponding source of funds. Therefore when reporting questioned costs in this report we did not attempt to allocate those costs among the entities that provided the funding.

We recommend that as part of the resolution of our audit findings ODJFS and the PCSAs contracting with

²² Office of Management and Budget (OMB) Circular A-133, Subpart A, .105 Definitions

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Beech Brook join together to ensure Beech Brook develops and implements a corrective action plan that will result in fiscal accountability²³ and legal compliance²⁴ in an expeditious manner. Based on the findings we recommend the following:

- (1) The PCSAs purchasing services from Beech Brook should determine whether the findings set forth in this report constitutes a breach of their contract, and if so seek an appropriate remedy.
- (2) ODJFS should assist the contracting PCSAs in seeking recovery of misspent funds by providing administrative and technical support as needed.

AGENCY INFORMATION

Beech Brook is a private noncustodial agency (PNA) that was incorporated as a nonprofit organization which is exempt from federal income tax under Internal Revenue Code Section 501 (c)(3). Beech Brook is licensed by ODJFS to operate a children’s residential center, a residential parenting facility, to operate or provide independent living arrangements, to recommend families to become foster families, and place children in foster homes. When a county children services agency needs a home for a foster child, it can contact agencies such as Beech Brook to place the child. Beech Brook places foster children primarily for CCDCFs. Beech Brook has provided services to Geauga, Ashtabula, Mercer, Butler, Seneca, Fairfield, Franklin, Jefferson, Columbiana, Portage, Ashland, Mahoning, Hamilton, Lorain, Perry, Logan, Medina, Tuscarawas, Lake, Erie, and Stark County children services.

The following table shows statistical information about the agency for 1998 taken from the ODHS 2910 Purchased Family Foster Care Cost Report and other documentation provided by the Placement Agency:

²³ In Ohio Admin. Code Section 5101:2-33-19, Penalties for Failure to Comply with Fiscal Accountability Procedures, effective 12-1-01, ODJFS has set forth the penalties that ODJFS may enforce against PCSAs, PCPAs and PNAs for the failure to comply with procedures involving fiscal accountability.

²⁴ In Ohio Admin. Code Section 5101:2-47-23.1, Title IV-E Agency Contracting and Contract Monitoring Requirements, effective 12-1-01, ODJFS has set forth the requirements that a PCSA must establish a system of contracts and contract monitoring when purchasing foster care services.

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**Table I
Beech Brook
Foster Care Statistics**

Characteristic	Statistic
Daily Average Number of Children in Placement	173
Number of Active Licensed Foster Homes	135
Average Per Diem Rate	\$74
Number of PCSAs from Which Agency Receives Children	22
Required Training for Foster Caregiver Orientation	50 hours for Advocate
Required Annual Training for Foster Caregiver	24 Hours for Advocate
Expenditures Reported per the Title IV-E Purchased Family Foster Care Cost Report	\$3,608,750
Characteristics of Children Placed by Agency	Traditional to Intensive levels of care

During the Period, Beech Brook's staff consisted of 49 employees, that provided foster care services, including a treatment foster care(tfc) director, tfc supervisors, trainer, secretaries, tfc clinical director, case managers, recruiter, therapists, nurse, drivers, housekeeping, maintenance, food worker, computer support, development, accounting, human resources and administration to the foster children and foster parents.

The Beech Brook revenues were comprised primarily of funds from CCDCFS. The total foster care and residential care revenues received by Beech Brook during the period of January 1, 1998 to December 31, 1998 was \$6,838,965. This consisted of approximately 40% residential care revenue and 60% foster care revenue.

The following table shows the sources of revenue per the general ledger for the calendar year 1998 and the percentage of total revenue for each source.

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**Table II
Beech Brook
Revenue by Source**

	1998	Percent of Total Revenue
Cuyahoga County	\$5,446,033	43
Summit County	165,602	1
Fairfield County	156,073	1
All other Counties	695,974	5
Medicaid	2,369,580	19
Grants	313,574	2
Investments	1,223,136	9
All other Revenue ²⁵	2,577,148	20
Totals	\$12,947,120	100%

Relevant Individuals

Mario Tonti

Mario Tonti was the Executive Director. He was responsible for approving payment for vouchers, signs both the regular and payroll checks. Mr. Tonti has been with the agency since July 1990.

Guy Thellian

Guy Thellian was the Chief Financial Officer. He resigned effective November 3, 2000.

Sharon Owens

She was the controller for the agency during the period. She was responsible for financial statements of the agency and managing the accounting office. She has been with the agency since December 1991.

ISSUE 1	TEST OF EXPENDITURES IN ACCORDANCE WITH TERMS OF AGREEMENTS AND APPLICABLE LAWS
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Objective:

²⁵ Includes special events, transportation, self-pay, etc.

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To determine whether the Placement Agency's expenditures complied with the terms and conditions of its contractual agreements, provisions of applicable laws and regulations, and proper business purposes during the Period.

Procedures Performed:

1. We obtained all canceled checks for non-payroll disbursements made by Beech Brook for each month during the Period (See Issue 5 for the reconciliation of payroll disbursements.)
2. We inspected the details of every canceled check returned by the bank during the Period including vendor, amount, authorizing signature and endorsement for compliance with the terms and conditions of its contractual agreements, provisions of applicable laws and regulations, and proper business purposes.
3. For selected disbursements which did not appear reasonable considering: the nature of business or the vendor; high dollar amounts; checks payable to the staff or foster parents or payments that appeared to be contrary to policy, we requested supporting documentation, such as invoices.
4. We inspected the supporting documentation to determine compliance with program requirements for expenditures and for potential self-dealing transactions prohibited by Ohio Admin. Code Section 5101:2-5-08 (G).
5. We discussed with agency management all expenditures (check disbursements) that we found lacked adequate supporting documentation were unallowable or unreasonable as defined in applicable rules, regulations and/or contract provisions.
6. We obtained all credit card statements paid by Beech Brook for the Period and inspected details of each charge including vendor, amount, and authorization for compliance with the terms and conditions of its contractual agreements, provisions of applicable laws and regulations, and proper business purposes.
7. For selected credit card expenditures which did not appear reasonable considering: the nature of business or the vendor; high dollar amounts; charges related to the staff or foster parents or expenditures that appeared to be contrary to policy, we requested supporting documentation, such as invoices.
8. We discussed with agency management all credit card expenditures that we found lacked adequate supporting documentation, were unallowable or unreasonable as defined by applicable rule regulations and/or contract provisions.
9. We read lease agreements and other documents supporting all car lease payments. We reviewed documentation supporting how the percentage of time the cars were used for business and personal use was determined and whether personal use was properly disclosed on the employees' W-2.
10. We read lease agreements and other documentation supporting all building lease or mortgage payments to determine property ownership, previous ownership and relationship between current and previous owners and Beech Brook.

ISSUE 1-1	CHECK AND CREDIT CARD DISBURSEMENTS NOT ALLOWED OR WHICH LACKED SUPPORTING DOCUMENTATION REQUIRED UNDER THE CCDCFS CONTRACT
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Results:

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Office of Management and Budget (OMB) Circular A-122 “Cost Principles of Non-Profit Organizations,” requires that for a cost to be allowable under an award, cost must, among other factors be reasonable and adequately documented.²⁶

The Circular further provides: “. . .The question of reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions which receive the preponderance of their support from awards. In determining the reasonableness of a given cost, consideration shall be given to: a) whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award, b) the restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining . . . c) whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees, and clients, the public at large . . . ”²⁷

The Purchase of Services Agreement establishes inspection and retention requirements for financial records. It states, “The Provider shall maintain financial records which sufficiently and properly reflect all direct and indirect costs expended in the performance of this agreement. Such records shall be available at all reasonable times for inspection, review or audit by duly authorized Department personnel or representatives.”²⁸ The agreement further states that ‘ the Provider shall maintain and preserve all records related to this Agreement in its possession . . . for a period of not less than three (3) years.”²⁹

In addition, under Section 1 of the Agreement, Beech Brook, Inc. was to provide those services as delineated in Section 4 of the Agreement.³⁰

We inspected one thousand three hundred and forty-two (1342) credit card expenditures totaling \$177,903 in charges. We requested supporting documentation for these expenditures such as receipts, invoices, billing statements, calendar dates of the foster care related event, authorization by the board or responsible party, and an explanation of how the expenditure provided a benefit to the program or was necessary to the operation of the foster care program. Beech Brook, Inc. was unable to provide us with supporting documentation for one hundred ninety-eight (198) transactions totaling \$8,631 and was in violation of OMB Circular A-122, Attachment A(2)(a) and (g).

We inspected three hundred ninety-five (395) check disbursements totaling \$913,704 in charges. We requested invoices, billing statements, authorization by the board or responsible party, and an explanation of how the expenditure provided a benefit to the program or was necessary to the operation of the foster care program. Beech Brook, Inc. was unable to provide us with supporting documentation for fourteen (14) disbursements totaling \$4,348 and was in violation of OMB Circular A-122, Attachment A(2)(a) and (g).

Additionally, 22 check disbursements totaling \$11,210 and 46 credit card transactions totaling \$3,827 were not allowable foster care maintenance, administrative case management, case planning activities, and related

²⁶ Office of Management and Budget (OMB) Circular A-122 “Cost Principles for Non-Profit Organizations,” Attachment A, Paragraph A (2)(a) and (g).

²⁷ OMB Circular A-122, Attachment A, Paragraph (A)(3)(a) through (c).

²⁸ Section 14, Financial Records, Purchase of Services Agreement, dated 1/27/98, pg. 23.

²⁹ Section 15, Availability and Retention of Records, Purchase of Services Agreement, dated 1/27/98, pg. 23.

³⁰ See detailed discussion of these agreed-upon services in the “Allowable Costs” Section of this report.

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administrative activities as well as being unallowable under the CCDCFs contract and OMB Circular A-122. These improper expenditures consisted of finance charges, employee birthday and retirement parties, staff incentives, employee gifts, and fund-raising expenses. Unallowed expenditures totaled \$15,037. They are as follows:

1. Two check disbursements totaling \$2,000 for a monthly retainer to keep an open bed for emergency purposes for a foster child was in violation of Ohio Admin. Code Section 5101:2-47-18 (M) which states in pertinent part: "Reimbursement shall not be available as a retainer to a caregiver for maintaining a space for emergency placements." The agency's reporting of these expenditures on its ODJFS 2910 Purchased Family Foster Care Cost Report is unallowable under Ohio Admin. Code Section 5101:2-47-26(A)(6) states in pertinent part, ". . . any outlay of cash with no prospective benefit to the facility or program" are considered unallowable."
2. Twenty-four credit card transactions totaling \$2,214 and eighteen check disbursements totaling \$7,973 for staff and board member flowers, staff gifts, and a staff parties were unallowable under OMB Circular A-122, Attachment B, Paragraph 18 which states, "Costs of goods or services for personal use of the organization's employees are unallowable regardless of whether the cost is reported as taxable income to the employees." The agency's reporting of these expenditures on its ODJFS 2910 Purchased Family Foster Care Cost Report was also in violation of Ohio Admin. Code Section 5101:2-47-26(A)(7), which disallows the reporting of "Entertainment costs for amusements social activities, and related costs for staff only."³¹ Unallowed personal use expenditures totaled \$10,187.
3. Six credit card transactions totaling \$572 and one check disbursement of \$215 for fund-raising expenses were unallowable and in violation of OMB Circular A-122, Attachment B, Paragraph 23(b) which states, "Costs of organized fund-raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable." The agency's reporting of these expenditures on its ODJFS 2910 Purchased Family Foster Care Cost Report was also in violation of Ohio Admin. Code Section 5101:2-47-26(A)(12), which disallows the reporting of "Costs of organized fund-raising."³² Unallowed fund-raising expenditures totaled \$787.
4. Thirteen credit card transactions totaling \$472 for finance charges, late fees, and an over-the-limit fee were unallowable under OMB Circular A-122, Attachment B, Paragraph 23(a)(1) which states in pertinent part: "Costs incurred for interest on borrowed capital or temporary use of endowment funds, however represented, are unallowable . . ." The agency's reporting of these expenditures on its ODJFS 2910 Purchased Family Foster Care Cost Report was also in violation of Ohio Admin.

Code Section 5101:2-47-26(A)(9), which generally disallows the reporting of "Costs incurred for interest on borrowed capital . . ."³³

5. Three credit card expenditures totaling \$569 for cancelled airline tickets were unallowable under OMB Circular A-122, Attachment B, Paragraph 55(a) which states in pertinent part: "Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the organization. Travel costs are allowable subject to

³¹ Prior to 5/1/98, the rule was stated at Ohio Admin. Code Section 5101:2-47-64(G).

³² Prior to 5/1/98, the rule was stated at Ohio Admin. Code Section 5101:2-47-64(L).

³³ Prior to 5/1/98, Ohio Admin. Code Section 5101:2-47-64(I) prohibited, among other things, "interest on borrowings."

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subparagraphs' b through e, when they are directly attributable to specific work under an award or are incurred in the normal course of administration of the organization."

6. One check disbursement of \$1,022 for pens of a promotional nature were unallowable under OMB Circular A-122, Attachment B, Paragraph 1(f), which states in pertinent part: "Unallowable advertising and public relations costs include the following: ... (3) Costs of promotional items and memorabilia, including models, gifts and souvenirs; (4) Costs of advertising and public relations designed solely to promote the organization." Public relations and advertising costs are unallowed because the federal government derives no benefit from such costs, unless used: to recruit personnel; acquire scarce items; dispose of scrap or surplus materials; to keep the public and financial community adequately informed." The agency's reporting of these expenditures on its ODJFS 2910 Purchased Family Foster Care Cost Report was also in violation of Ohio Admin. Code Section 5101:2-47-26(A)(1), which generally disallows the reporting of "Advertising costs, with the exception of service-related recruitment needs, procurement of scarce items, and disposal of scrap and surplus pursuant to this rule."³⁴

During and subsequent to our fieldwork Beech Brook, Inc. attempted to respond and/or provide documentation for the costs we questioned. However, for those costs listed in Table III as undocumented expenditures, Beech Brook, Inc. was unable to demonstrate its compliance with the relevant sections of its contract with CCDCFS and OMB Circular A-122.

**Table III
Beech Brook, Inc.
Questioned Costs**

Undocumented Credit Card Disbursements	
Al Paul Auto	\$23
Alesci's of South Euclid	128
Amoco	7
Aurora Inn	1,627
Behavioral Health Inc.	34
Blue Point	37
Cadillac Plastic	238
Cleveland State University	18
Corky and Lenny's	19
Corlett Lumber	208
Cuisanart Corp.	39
DoubleTree Guest Suites	165
Eddie Sands Blueline	50
Eddie's Place	103
Embassy Suites	16
BP Oil Co.	2,586
Hampton Inns	68
Heinens	514
Honey Baked Ham	75
Hopkins	17
I Matti	77

³⁴

Prior to 5/1/98, the rule was stated at Ohio Admin. Code Section 5101:2-47-64(A).

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**Table III
Beech Brook, Inc.
Questioned Costs**

Impresso, Inc.	90
K2U	48
Kemper City	16
Larchmere Tavern	41
Little Tikes	52
Key Bank Visa	425
Moxie	93
Murray Discount	20
Noggins	51
Olive Garden	52
Park Place	54
Pizza Hut	77
Pizzeria Uno	49
Radio Shack	7
Red Lobster	139
Russo's	154
Sam's Café	32
Shell	52
Sony KC Parts	49
Sunoco	59
Super K Mart	125
Target	61
Tractor's Place	50
Value City	257
VIP Auto Beauty Center	91
Wal Mart	318
Walgreen	49
Winking Lizard	59
Wyndham Hotels	12
Total Undocumented Credit Card Expenditures	\$8,631
 Undocumented Check Disbursements	
ASQ	358
Aurora Inn	75
Callad Optical	237
Christian Family Outreach	200
Dr. Guo Shenyang	2,000
Fatima Community Center	100
Guy Thellian	167
Kate Biddle	51

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**Table III
Beech Brook, Inc.
Questioned Costs**

Mabel Rice	300
Mamie Howse	200
Omega PSI PHI Fraternity	60
Petty Cash	250
Randall Park Mall	50
South High School	300
Total Undocumented Check Expenditures	<u>\$4,348</u>
Total Undocumented Expenditures	<u>\$12,979</u>
Unallowed Expenditures	
Unallowed Foster Care Payments	
Check Disbursements	
Elston & Billie Halford (open bed retainer)	\$2,000
Unallowed Entertainment Costs	
Credit Card Expenditures	
Alesci's of South Euclid - Employee Party	59
Beachwood Place - Employee Gift certificates	15
Charley's Crab - Staff Incentives	73
Club Isabella - Employee Reward	63
CVS store - Employee Gift	8
Daisy Hill Greenhouse - Flowers for Employees	62
Dilliards - Employee Gift Certificates	65
Flowers by Stazzone - Employee Farewell Party	43
Heinens - Administrative Incentive	50
Houlihans - Holiday luncheon	56
Hyde Park Chop House - Holiday & Employee Farewell Dinners	485
K Mart - Department Incentives	695
Morse Graphic - Employee Gift	7
Moxie - Department Incentives	72
Paper Direct - Birthday Party	78
Pat O'Briens - Employee gift certificates & Board member gifts	227
PJ Inc. - Board member present	24
Sensational Celebration - Employee Farewell Party	9
Szechuan House - Staff Incentive	27
Winking Lizard - Birthday Parties	96
Total Unallowed Entertainment Costs - Credit Card Expenditures	<u>\$2,214</u>
Check Disbursements	
Angie Rib Wagon - Staff Clam Bake	\$2,174
Aurora Parks and Recreation - Staff Clam Bake-boat rentals	454

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**Table III
Beech Brook, Inc.
Questioned Costs**

Framart Galleries - Plaques given to Board members	302
Guido's Restaurant & Pizzeria - Catered Reward Lunch	1,050
Haffey's Catering Prod. - Managements holiday lunch & Birthday parties	2,276
Heinens - Christmas Party	140
Joe Burrucker - Christmas Luncheon for Staff	300
K Mart - Christmas gift for Residential & Partial Hosp. Staff	230
Nela Florist - Flowers for Employees	407
Petty Cash - Retirement Luncheon	71
Russo's Catering - Reception Dinner for former director & Staff luncheon	569
Total Unallowed Entertainment Costs-Check Disbursements	\$7,973
Total Unallowed Entertainment Costs	\$10,187
 Unallowed Fund-raising Costs	
Credit Card Expenditures	
AAFRC Trust for Philanthropy - Fund-raising Expense	\$119
Hoke Communications - Fund-raising Management book	58
IUPUI Philanthropy - Fund-raising magazine	26
National Society of Fund-raising Executives - professional dues	215
Ohio Council of Fund-raising Executives - professional dues	65
Stevenson Consultants - Fund-raising magazines	89
Total Unallowed Fund-raising Costs-Credit Card Expenditures	572
Check Disbursements	
National Society of Fund-raising Executives - professional dues	215
Total Unallowed Fund-raising Costs	787
 Unallowed Costs for Interest	
Credit Card Expenditures	
Finance Charges	357
Late Fees	90
Over-the-limit Fee	25
Total Unallowed Costs for Interest	472
 Total Unallowed Costs for Travel	
Credit Card Expenditures	
Continental Airlines - Cancelled Airline tickets	569
 Total Unallowed Costs for Advertising/Public Relations	
Check Disbursement	
Incentive Merchandising - Promotional pens	1,022
Total Unallowed Expenditures	\$15,037

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**Table III
Beech Brook, Inc.
Questioned Costs**

Total Questioned Costs	<u>\$28,016</u>
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During the audit period Beech Brook, Inc. received more than 69% of its revenues from residential care, foster care and medicaid services. Approximately four percent of its revenue came from donations and fund-raising. The expenditure of the funds it receives for residential, foster care³⁵, and medicaid services are subject to the terms and conditions of its contracts with county agencies. Furthermore, these programs received Federal Financial Participation through cost reimbursement. Therefore, the cost charged (1) transaction against programs, both the federal portion as well as the state or local match, are subject to Office of Management and Budget (OMB) Circular A-122 "Cost Principles for Non-Profit Organizations." Beech Brook, Inc.'s accounting system could not clearly provide documentation whether the source of funds expended were from funds subject to contract provisions and OMB Circular A-122 or donations and fund-raising.

Federal Questioned Cost: \$28,016

Due to unallowed and inadequately documented expenditures reported on the ODHS 2910 Purchased Family Foster Care Cost Report(s) and/or charged against the foster care program, Beech Brook was in violation of Section 14 and 15 of its contract with CCDCFS and OMB Circular A-122³⁶ in the amount of \$12,979. Beech Brook was also in violation of OMB Circular A-122 Attachment B, Paragraphs 1, 8, 23, and 55, and/or Ohio Admin. Code Section 5101:2-47-26(A)(7)³⁷-(A)(9) and 5101:2-47-18 (M) with respect to the unallowed expenditures in the amount \$15,037 as described above in numbered Paragraphs 1-4. The undocumented federal questioned cost equaled \$12,979. The total federal questioned cost equaled \$28,016.

Management Comment:

Beech Brook did not adhere to the CCDCFS contract regarding documentation of allowable direct and administrative cost requirements and financial records retention in the amount of \$28,016. Cuyahoga County Department of Children and Family Services should require the agencies, with which it contracts for placement services, to obtain and submit to CCDCFS an annual financial audit performed in accordance with government auditing standards. In addition to the independent auditor's report on the financial statements, professional standards would require the auditor to report on the Placement Agency's compliance with laws and regulations and on internal controls. CCDCFS should review these reports and follow up on any exceptions reported. CCDCFS did not have such requirements and as a result, annual audited financial statements and a report on internal controls were not submitted to CCDCFS during the Period.

ISSUE 2	TEST OF FUNDING RECEIVED FROM PUBLIC SOURCES
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Objective:

³⁵ Purchase of Services Agreement, dated 1/27/98.

³⁶ Office of Management and Budget (OMB) Circular A-122 "Cost Principles for Non-Profit Organizations," Attachment A, Paragraph A(2)(a) and (g).

³⁷ Prior to 5/1/98, the rule was stated at Ohio Admin. Code Section 5101:2-47-64(G).

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To determine whether all receipts and deposits from the applicable public children services agencies to Beech Brook for the Period were properly deposited and recorded in the accounting records of the Placement Agency.

Procedures Performed:

1. We determined the types of revenue that Beech Brook received during the Period, by scanning the audited financial statements and the supporting general ledger.
2. We identified the sources of receipts received from bank statements and other related records.
3. We obtained documentation from the Cuyahoga County Auditor to determine the completeness of receipts received and deposited for fees for services and Medicaid.
4. We tested a sample of 10% of the monthly billings by the Placement Agency to CCDCFS for foster care placements to determine whether the amounts billed were received, and the receipts were deposited and recorded in the Placement Agency's financial records.
5. We scanned all revenue remittances and the general ledger to determine whether revenue had been recorded in the accounting records of the Placement Agency.

Results:

We documented the types of revenue that Beech Brook received as: program service fees from various counties, investment income, rent, royalty income and donations. Beech Brook did receive Medicaid payments during the Period. We obtained documentation from the County Auditor to determine the completeness of the receipts from CCDCFS.

Furthermore, we determined that all CCDCFS disbursements to Beech Brook were receipted, deposited and recorded in its accounting records.

ISSUE 3	TEST OF PAYMENTS TO FOSTER PARENTS
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Objectives:

1. To determine whether Title IV-E maintenance funds received by Beech Brook were used in accordance with the Social Security Act.
2. To determine whether Beech Brook's per diem payments to the foster parents were in accordance with the authorized schedule of per diem rates.
3. To determine the ratio of the per diem payments used for administration and maintenance.

Procedures Performed:

1. We obtained from Cuyahoga County Department of Children and Family Services the ODHS Title IV-E Disbursement Journals detailing the federal reimbursement to Cuyahoga County Department of Children and Family Services for the months of January 1998 to June 1999 for foster care services. We also obtained from the Cuyahoga County Auditor a vendor payment history report for Beech Brook for the same period and traced these payments to the invoices submitted by Beech

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2. We selected a representative sample of children identified by CCDCFS as Title IV-E eligible children being serviced by Beech Brook Federal maintenance payments to these children totaled \$48,705 or 37% of the sample.
3. We found the child's name on the appropriate month's ODHS Title IV-E Disbursement Journal. We documented the amount of federal maintenance reimbursement that would have been paid for each child.
4. We compared payments received by Beech Brook from CCDCFS to the corresponding Beech Brook billing in the month selected for each child in the sample.
5. We determined whether the total amount of the federal reimbursement for maintenance (58%) was used for the care of the foster child.
6. We determined whether the total amount of the county's required match to the federal reimbursement for maintenance (42%) was used for the care of the foster child.
7. We obtained the contracts or per diem agreements between Beech Brook and the foster parent for each child in the sample.
8. We obtained and compared the authorized schedule of per diem rates to rates paid per the agreements between Beech Brook and CCDCFS and between Beech Brook and foster caregivers.
9. We compared Beech Brook's per diem paid to the foster parents with the corresponding per diem it received from CCDCFS to determine the ratio of payments for administration and maintenance.

ISSUE 3-1	ODJFS SYSTEMIC MISCLASSIFICATION OF COSTS RESULTS IN OVER PAYMENT OF THE TITLE IV-E MAINTENANCE REIMBURSEMENT
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Results:

Payments for foster care maintenance are intended to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation.³⁸

ODJFS submits quarterly reports to the U.S. Department of Health and Human Services (HHS) for reimbursement of federal financial participation (FFP) in foster care payments³⁹ made to the PCPAs and PNAs. In 1998, the FFP was 58% for maintenance payments⁴⁰ made and 50% for administrative costs⁴¹

³⁸ 42 U.S.C. Section 675(4)(A)

³⁹ Ohio Admin. Code Section 5101:2-47-11 recites the foregoing reporting and reimbursement requirements. Prior to 5/1/98, these provisions were recited in Ohio Admin. Code Sections 5101:2-47-20 and 5101:2-47-65.

⁴⁰ 45 C.F.R. Section 1356.60(a)(2) (1999); ODHS Administrative Procedure Letter No. 245, dated 9/22/97; ODHS, Family Children and Adult Services Procedures Letter No. 61, dated 9/9/98.

⁴¹ 45 C.F.R. Section 1356.60(c) (1999); ODHS Administrative Procedure Letter No. 245, dated 9/22/97; ODHS, Family Children and Adult Services Procedures Letter No. 61, dated 9/9/98.

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incurred under the Title IV-E program.

We selected a sample of 237 children eligible for Title IV-E federal maintenance reimbursements. We found that PNA billed and CCDCFs submitted \$429,730 to ODJFS for reimbursement. ODJFS did not require the Placement Agency to specifically identify the amounts for maintenance and administration. ODJFS then requested FFP for foster care maintenance costs of \$345,818 and received \$200,574 at the 58% FFP reimbursement rate, however the Placement Agency only made maintenance payments to foster parents totaling \$193,432. The remaining \$152,386 was retained by Beech Brook and used for administrative costs or other purposes.

The table below documents the amount of federal questioned costs and overpayment of the Title IV-E federal maintenance reimbursement.

**Table IV
Overpayment of Title IV-E Maintenance Reimbursement**

Amount Paid to PCSA for Reimbursement of Maintenance Costs (Federal Financial Participation)	\$200,574
Required PCSA Match for Federal Financial Participation	<u>145,244</u>
Total Title IV-E Maintenance Claimed by ODJFS	345,818
Amount Paid by PNA to Foster Parents for Maintenance	<u>(193,432)</u>
Overstatement of Maintenance Claim	<u>\$152,386</u>

Projected Questioned Costs:

We specifically identified \$152,386 of maintenance overclaimed in our sample. In order to evaluate the potential effect caused by these systemic problems in ODJFS' cost reporting, rate setting and cost reimbursement processes, we estimated the total likely questioned costs. We used the ratio approach, as illustrated below:

<u>Dollar Amount of Error :</u>	
Dollar Amount of Sample \$152,386/\$345,818	44.07%
Dollar Amount of Population	X <u>\$1,467,340</u>
Projected Overstatement of Maintenance Claim	\$646,657
Actual Maintenance Reimbursement Claim (58% reimbursement rate of \$646,657)	\$375,061
Allowable Administrative Reimbursement Claim (50% reimbursement rate of \$646,657)	<u>\$323,329</u>
Overpayment of Maintenance Claim	<u>\$51,732</u>

Federal Questioned Costs: \$51,732

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The Social Security Act requires that maintenance payments be used to meet the expenses as defined in section 675 of the Social Security Act. In our sample, we found that the maintenance cost claimed for federal reimbursement was overstated by \$152,386 and when extended to the population using the ratio approach resulted in questioned costs of \$51,732.

ODJFS should take the Federal Questioned Cost over reported to the County and recompute the Title IV-E per diem reimbursement rate that should have been paid to the Placement Agency during the Period and reimburse HHS, ODJFS or the PCSA for the overstated costs.⁴²

Management Comment

These questioned costs are a result of systemic problems in the ODJFS cost reporting, rate setting, and cost reimbursement processes. We recommend ODJFS redesign those processes to ensure costs are properly classified and reimbursements accurately claimed.⁴³ We further recommend that an adjustment to correct the overpayment of the Title IV-E maintenance reimbursement be made with the U.S. Department of Health and Human Services.

ISSUE 3-2	RATIO OF PAYMENT FOR ADMINISTRATION AND MAINTENANCE
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Results:

We tested the payments from Cuyahoga County Department of Children and Family Services (CCDCFS) to Beech Brook for a sample of 327 foster children. The payments to the Placement Agency for this sample totaled \$509,536. We noted that the Placement Agency received the correct per diem rates noted in the CCDCFS contract.

The foster parents in the sample received \$232,051 and we noted that these foster parents received the correct per diem rates per the CCDCFS contract. Of the \$509,536 received from CCDCFS by the Placement Agency the foster parents received \$232,051 or 46% of the total funds paid to the Placement Agency by CCDCFS. The remaining \$277,785 or 54% was retained by Beech Brook and used for administrative costs, other direct services to children or other purposes.

The contract between CCDCFS and Beech Brook sets forth the amounts to be paid as the daily per diem rate for the services specified in the contract. In addition, the contract sets the minimum amount to be paid to foster parents from the daily per diem rate paid to Beech Brook by CCDCFS.⁴⁴ The amount paid to foster parents ranged from 43% to 58% of the stated daily per diem rate, depending on the level of care.

Management Comment:

⁴² Pursuant to Ohio Admin. Code Section 5101:2-47-01(L). Prior to 5/1/98, these provisions were recited in Ohio Admin. Code Sections 5101:2-47-03(H).

⁴³ In Ohio Admin. Code Section 5101:2-47-26.1, Procedures to Monitor Cost Reports submitted by PCSAs, PCPAs, and PNAs, effective 12-1-01, ODJFS has set forth the cost report monitoring requirements.

⁴⁴ Section 4(A), Cost and Delivery of Purchased services, and Section 4(C), Foster Parent payment, Purchase of services agreement, dated 1/27/98, pgs. 3-4.

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ODJFS should establish by administrative rule a cap on the percentage of the private agency's allowable administrative cost. This administrative cost cap should be structured in a manner that maximizes the amounts expended for maintenance and other direct services to children while allowing a reasonable percentage for necessary administrative costs.

ISSUE 3-3	ENTRANCE AND EXIT DATES OF PLACEMENT
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Results:

An accurate accounting for the dates a child enters and exits the care of a PCPA/PNA is necessary to ensure the child is continuously maintained in a safe environment, provide documentary evidence in the event of litigation, and the accurate calculation of payments due to the PCPA/PNA.

We compared 327 placement dates of foster children recorded by CCDCFS and Beech Brook and found 53 dates where the records did not agree. Inaccurate information about the dates children enter and exit the care of a PCPA/PNA could result in inappropriate administrative decisions and incorrect payments to the PCPA/PNA.

Management Comment:

ODJFS should make the necessary procedural and programming changes to the Family and Children Services Information System (FACSIS) that would ensure the integrity of data needed by the PCPA/PNAs to properly manage the foster care program and accurately reflect placement dates.

We also recommend a system be developed and implemented that would integrate all placement information into a complete, accurate, and easily accessible database. In addition, we recommend that CCDCFS and the PCPA/PNAs review the procedures of recording the date children enter and exit the PCPA/PNA to find the most effective and efficient process.

ISSUE 4	TEST OF INTERNAL CONTROLS
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Objectives:

1. To identify internal control weaknesses in the policies and procedures in place at the Placement Agency.
2. To recommend improvements in the internal control system in efforts to eliminate noncompliance, and increase fiscal accountability.

Procedures Performed:

1. We read the Board of Trustees' minutes, personnel records, and organizational chart to identify potential conflicts of interest and self dealing transactions that could result in noncompliance with Ohio Admin. Code Section 5101:2-5-08.
2. We completed a review of internal controls, and identified weaknesses that existed in the accounting cycle.
3. We documented information, obtained through inquiry and observation, on the Placement Agency's internal control policies and procedures relating to: 1) cash disbursements and expenses; 2) revenues; 3) personnel and payroll; 4) accounts receivable; 5) inventories; and 6) fixed assets.

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ISSUE 4-1	FIXED ASSET POLICY
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Results:

A comprehensive written fixed asset policy would increase the Placement Agency's ability to properly account for its fixed assets, and ensure they are adequately safeguarded from loss, theft or unauthorized use.

Based on inquiry and observation the Placement Agency did not have a written fixed asset policy or procedures for the treatment of capital expenditures and repairs.

The lack of a written fixed asset policy could lead to the unauthorized acquisition, use or disposition of fixed assets and material financial statement misstatements.

Management Comment:

We recommend that Beech Brook develop and implement a fixed asset policy that, at a minimum, provides guidance on the following:

1. The types of fixed asset records to maintain, such as a detailed listing of plant, property and equipment or a current professional appraisal of assets. The list should include beginning balances, additions, deletions (including gains or losses on sales), transfers, ending balances and depreciation expense and accumulated depreciation (where applicable).
2. Categories of fixed assets include land, land improvements, buildings and structures, machinery, equipment, furniture, tools, donated assets and leasehold and leasehold improvements.
3. Basis for valuing assets at either the cost or estimated historical cost and capitalization thresholds which establishes the criteria for when expenditures should be capitalized excluding repairs and maintenance.
4. Depreciation and amortization method, such as straight line over the useful lives of the assets and salvage values, procedures for the depreciation of additions and retirements, and the accounting for fully depreciated assets.
5. Annual fixed asset inventory by visually comparing the asset and the information on the detailed fixed asset listing.
6. Authorized use of its assets, such as a log noting date, person, purpose and location for the use of the asset.

This would promote the consistent treatment of similar assets, safeguard them from theft or misuse and improper and inaccurate reporting of the fixed assets and related depreciation on the financial statements.

As of March 2002, Beech Brook did establish a written fixed asset policy.

ISSUE 4-2	ACCOUNTING PROCEDURES AND POLICIES
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Results:

Adequately designed accounting policies and procedures enhances the reliability of the agency's financial reporting and better ensure compliance with applicable laws, regulations, and contracts.

During our audit, Beech Brook was not able to provide us with a written policy in place with respect to the

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availability and retention of records or the usage of company credit cards. Further, there were cash receipt procedures used during the Period; however, they were not documented or approved by the Board of Trustees. Additionally, the agency had a policy on the retention of confidential case files for foster care children and children in the behavioral health program, but did not have a policy on the retention of financial records.

The lack of written policies and procedures is an internal control weakness that if corrected would strengthen financial accountability and legal compliance.

Management Comment:

We recommend Beech Brook develop and implement written accounting policies and procedures that incorporate the applicable federal, state, and county compliance requirements.

As of March 2002, Beech Brook established a written policy on the usage of company credit cards.

ISSUE 4-3	RESPITE CARE POLICY
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Results:

Foster care agencies should ensure that a child is placed in a safe environment with a minimal risk of physical and emotional harm. This assurance should be extended to include respite care which is defined as, "any alternative care provided for a child placed in a specialized foster home that lasts more than twenty-four consecutive hours when the plan is to return the child to the same specialized foster home at the end of the period of respite care."

The agency routinely granted and documented respite to its foster parents, however, there was no written policy on how to authorize or approve respite care.

Without the aid of a respite policy, which clearly details the qualifications of a respite provider and the procedures for requesting, granting and the documentation of respite care, the following could occur:

- The child could be placed in the care of a person who has not been adequately screened,
- Abuse or misuse of respite,
- Inadequate or incomplete information collected and placed in the foster parent(s) files regarding the child's placement,
- Inconsistency in granting and use of respite,
- Duplicate or errors in payments, (wrong foster parent(s) could be paid for wrong number of days in placement.

Management Comment:

ODJFS should establish minimum guidelines to be used by Placement Agencies to make and document decisions about respite care that would minimize a foster child's exposure to risk. Those rules should set forth minimum standards to ensure the safety and well being of the children placed in respite care.

As of February 2002, Beech Brook established a written policy on respite care.

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ISSUE 4-4	LACK OF OVERVIEW OR MONITORING IN EXPENDITURE CONTROLS
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Results:

The Beech Brook Disbursement policy, effective 12-1-96, requires: "Purchase orders to be prepared with descriptions, quantities, dollar amounts and cost centers for all consumable and non-consumable goods. Department managers follow proper purchase authorization limitations and budgets provide the spending authorization. This policy additionally requires the following for purchase authorizations: one signature by the department manager for expenses up to \$1,000 and two signatures by the department manager and an executive committee member. Purchases greater than \$2,000 require the Executive Director or Assistant Director.

Upon review of Beech Brook expenditures, we noted the following instances:

1. Eighty-one (81) expenditures out of the three hundred ninety-five (395) expenditures reviewed in Issue 1-1 of this report did not have a corresponding approved purchase order.

Failure to approve all purchase orders increases the potential risk for misappropriation of assets.

Management Comment:

We recommend that Beech Brook strengthen internal controls to ensure that purchase orders are drafted for all transactions, are reviewed, and approved by the appropriate individuals in accordance with its internal disbursement policy.

As of March 2002, Beech Brook established a new purchasing policy which specifically describes the types of purchases that require a purchase order and the procedures to be performed.

ISSUE 4-5	CONTRACTUAL AGREEMENT
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Results:

Sound business practices dictate that contracts should be executed between parties when goods and/or services are going to be provided over a period of time. The contracts should define the terms of the agreement.

For five check disbursement transactions we requested the contract to determine the nature of the expenditure with the vendor. We did not receive a contract for any of the five transactions requested. The agency did not comment on whether contracts were actually executed with these vendors or if the contracts could not be located. One contract agreement did not include the length of the agreement or hourly rate to be charged for consulting services. Additionally, the agreement spanned a period of fifteen months without a contract addendum.

When contracts are not executed disagreements could arise between the parties relating to the scope of services which are to be provided as well as financial considerations.

Management Comment

We recommend that Beech Brook append the current contracts policy that only refers to governmental agencies (such as county mental health boards, County departments of children and family services, and Ohio Department of Jobs and Family Services) and require that contracts should also be executed for private vendors that the agency does business with over an extended period of time. Additionally, the policy should establish who at the Agency is responsible for signing contracts and consider a threshold where Board

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approval would be needed to enter into a contract.

As of April 1999, Beech Brook established a written policy on the review and approval of contracts with vendors.

ISSUE 5	TEST OF INTERNAL ADMINISTRATIVE CONTROLS OVER COMPLIANCE WITH REQUIREMENTS OF THE TITLE IV-E PROGRAM AND THE OHIO ADMINISTRATIVE CODE CHAPTER 5101:2
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Objectives:

1. To identify the administrative compliance requirements of the foster care program.
2. To identify significant administrative noncompliance with the provisions of the foster care program.
3. To determine if the Family Foster Home Records, completed and maintained by the PCPA/PNA, were in compliance with applicable sections of the Ohio Administrative Code.
4. To determine whether Title IV-E maintenance funds received by The Twelve, Inc. were used in accordance with the Social Security Act.
5. To determine whether the ODHS 2910 Purchased Family Foster Care Cost Report(s) submitted to ODJFS by The Twelve, Inc. was accurate and completed in accordance with ODJFS regulations.

Procedures Performed:

1. We read the Board of Trustees' minutes, personnel records, and organizational chart to identify potential conflicts of interest and self dealing transactions that could result in non-compliance with Ohio Admin. Code Section 5101:2-5-08.
2. We determined whether the family foster home files were maintained in compliance with the applicable rules prescribed in Ohio Admin. Code Chapter 5101:2.
3. We determined whether the PCPA/PNA established a policy on: respite care; alternative care arrangement; residency; training and verification of income and prior childcare experience and if a policy was authorized and documented.
4. We compared wages paid as identified on the ODHS 2910 Purchased Family Foster Care Cost Report(s) to wages paid as identified on the Placement Agency's quarterly 941s or W-3 report.
5. We traced potential questioned costs to the cost report.

ISSUE 5-1	INITIATION OF THE HOMESTUDY PRIOR TO THE RECEIPT OF A COMPLETED APPLICATION
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Results:

Ohio Admin. Code Section 5101:2-5-20(C)(4) provides: An agency shall not begin a family foster home homestudy prior to the receipt of a completed ODHS 1691."

The criminal record check is a required part of the homestudy process, which should not be started until the completion of an ODHS 1691, the application for a family foster home certificate.

Five of the ten foster home files reviewed documented that criminal records checks from the Bureau of

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Criminal Identification and Investigation (BCII) and the Federal Bureau of Investigation (FBI) were received prior to the completion of an application for certification as a family foster home.

Management Comment

Beech Brook should comply with ODJFS rules intended to ensure a thorough and complete foster home homestudy is completed prior to licensing. We further recommend that the ODJFS licensing specialists follow up on this issue and take steps to ensure continuous compliance.

ISSUE 5-2	SUFFICIENT INCOME REQUIREMENTS
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Results:

Ohio Admin. Code 5101:2-7-02 (D) provides: "A foster caregiver shall have income sufficient to meet the basic needs of the household and to make timely payment of shelter costs, utility bills and other debts." To ensure compliance with this requirement, an agency should obtain verification of employment and income.

Ohio Admin. Code Section 5101:2-5-20 (C)(1) provides: "An agency shall not accept an application for a family foster home certificate and approval for adoptive placement which does not contain complete and accurate information." The Placement Agency must take steps to assure the completeness and accuracy of information on the application.

Our Review found that Beech Brook did not take adequate measures to ensure that the information on the family foster home applications were complete and accurate. Foster parent income and employment was not documented as verified in 10 out of 10 family foster home files reviewed.

Failure to verify the applicant's income and employment and to document verification in the foster home files, could result in the licensing of unsuitable caregivers who do not have income to meet the basic needs of the home. This could affect the care of the child placed in the home. (Monies intended for the child could be diverted to household expenses.)

Management Comment

Beech Brook should adopt and implement board approved policies and procedures to obtain and document income and employment from a reliable third party source for all applicants. This information should be maintained in the foster parent(s) file to provide additional assurance that the foster parents are financially capable of providing for the children in their care.

ODJFS should establish guidelines and standards for recommending agencies to assess and document the sufficiency of the applicants' income. In addition, procedures should be developed to monitor compliance with this requirement.

ISSUE 5-3	MEDICAL STATEMENTS REQUIRED FOR APPLICANTS
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Results:

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The Ohio Admin. Code 5101:2-5-20(D) states: "An agency shall require that the applicant provide a statement for all members of the household on the ODHS 1653 "medical statement for foster care/adoptive applicant and all household members," completed by a licensed physician within six months prior to an initial recommendation by the agency for certification. Such statement shall document that the caregiver and all members of the household are free from any physical, emotional, or mental condition which would endanger children or seriously impair the ability of the household to care for a foster child."

In one out ten foster parent files tested ODHS Form 1653 "Medical Statement for Foster Care Adoptive Applicant and All Household Members" was not obtained for all household members.

Failure to obtain a completed ODHS 1653 statement within six months prior to an initial recommendation for certification or recommending certification for an applicant deemed unfit by a physician increases the risk unsuitable foster caregivers could be licensed.

Management Comment:

We recommend Beech Brook develop procedures to ensure all foster caregivers recommended for initial certification are certified as fit to care for a foster child. These procedures should also require a new ODHS 1653 Statement to be received by the Placement Agency when the date of the physician's review exceeds six months. We further recommend that the ODJFS licensing specialists follow up on this issue and take steps to ensure continuous compliance.

As of July 2001, Beech Brook revised their foster parent agreement to include a statement that the foster parent will inform the case manager within 14 days when new occupants become part of the foster home. The agreement also requires foster parents to ensure such individuals will obtain a physical within 30 days of occupancy.

ISSUE 5-4	COMPLETE AND ACCURATE INFORMATION ON APPLICATIONS
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Results:

Ohio Admin. Code Section 5101:2-5-20 (C)(1) provides: "An agency shall not accept an application for a family foster home certificate and approval for adoptive placement which does not contain complete and accurate information." The Placement Agency must take steps to assure the completeness and accuracy of information on the application.

Our Review found that Beech Brook did not take adequate measures to ensure the information on the family foster home application submitted was complete and accurate in two out of ten files reviewed. All members of the household were not included on the application. We also noted that foster parent income and employment was not verified in nine out of ten files reviewed.

Failure to verify the completeness and accuracy of information on the Family Foster Home Application increases the risk that unsuitable applicants may be recommended and approved. In addition ODJFS had not established guidelines and standards for Placement Agencies to document their compliance with this requirement.

Management Comment:

We recommend that ODJFS establish guidelines and standards for Placement Agencies to document their compliance with the administrative rules governing the licensing of family foster homes.

As of February 2002, Beech Brook established a written policy on the verification and documentation of foster parent income and employment prior to recommendation for initial certification.

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ISSUE 5-5	TITLE IV-E AND MEDICAID COST REPORTS
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Results:

\$34,339 detailed as a federal questioned cost in Issue 1-1 and 6-1 of this report, was charged against the foster care and mental health programs, and/or reported as allowable costs on the 1998 ODHS 2910 Purchased Family Foster Care Cost Report(\$28,016) and ODMH MED 020 Community Medicaid Actual Cost of Service Cost Report(\$6,323).

ODJFS should determine the amount of over reporting by Beech Brook, and recompute the Title IV-E per diem reimbursement rate that should have been paid to Beech Brook during the Period and reimburse HHS, ODJFS, or the PCSA for any over reimbursement resulting from the overstated costs.⁴⁵ Failure to properly classify program costs could result in federal questioned costs and have an adverse effect on the Title IV-E rate setting process.

The 1998 audited financial statements were submitted along with the 1998 cost reports. ODJFS' inadequacy to implement comprehensive desk reviews and field audits resulted in an unacceptable level of risk that ineligible costs could be reported and the Title IV-E reimbursement overstated.

Management Comment

Based on prior reports ODJFS has taken corrective action to implement comprehensive desk reviews⁴⁶ of all cost reports.⁴⁷ Controls could be further enhanced by conducting field audits selected on a sample basis using a risked-based approach.

ISSUE 6	TEST OF MEDICAID BILLINGS
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Objective:

To determine if Medicaid billings at Beech Brook were properly billed to the program.

Procedures Performed:

1. We determined if billings were submitted in the correct manner to the Medicaid program by analyzing a sample of payments in ODJFS's Medicaid Management Information System (MMIS) for Calendar year 1998.
2. We determined if Beech Brook received Medicaid reimbursement in compliance with Ohio Admin. Code Sections 5101:3-4-02, 5101:3-4-29(D) and 5101:3-4-29(G).

⁴⁵ Pursuant to Ohio Admin. Code Section 5101:2-47-01(L). Prior to 5/1/98, these provisions were recited in Ohio Admin. Code Sections 5101:2-47-03(H).

⁴⁶ In July 2000 ODJFS implemented a Comprehensive Desk Review process which examines costs reported on the cost report to determine whether the costs are: (1) allowable and presented fairly in accordance with department rules, (2) reasonable, (3) related to foster care and, (4) appropriately classified.

⁴⁷ In June 2000 ODJFS conducted cost report training for providers and implemented Comprehensive Cost Reporting Requirements which requires the provider to submit new information with the cost report, such as related party schedules, Internal Revenue Service (IRS) Form 990, W-2s for reported salaries, foster parent payment listing, and census logs.

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ISSUE 6-1	RECORD RETENTION
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Results:

Ohio Admin. Code section 5101:2-5-13 (A)(21) states, “An agency shall have a written policy regarding access, confidentiality, maintenance, security and disposal of all records maintained by the agency.”

These polices should include procedures to implement controls for an effective system for monitoring costs and to ensure that proper amounts are billed and received for services rendered, and that ledgers are updated in a timely manner.

Ohio Administrative Code Section 5101:3-1-198(E) states, “Overpayments, duplicate payments, or payments for services not rendered are recoverable by the department at the time of discovery . . . All recoverable amounts are subject to the application of interest in accordance with rule 5101:3-1-25 of the Administrative Code.”

Furthermore, the agreement between the Ohio Department of Mental Health (ODMH)/Sub Provider Agreement to Provide Community Mental Health Medical Assistance Services, and Beech Brook states the following:

Beech Brook shall retain all records relating to costs, work performed and supporting documentation for invoices submitted to ODJFS by ODMH along with copies of all deliverables submitted to ODJFS pursuant to this agreement for a minimum of six years after final payment. If an audit is initiated during this time period, the agency shall retain such records until concluded and all issues resolved. All records shall be made available by the agency for audit, to the Sub-Provider, the State of Ohio (including but not limited to ODMH, ODJFS, the Auditor of State of Ohio, Inspector General, or duly authorized law enforcement officials) and agencies of the United States government. The records shall document the service type and in the case of partial hospitalization, shall document the service as a separate, identifiable, organized unit. All records for all service types must include but may not be limited to the following:

- Recipient information
- Description of discrete service components
- Date and time of day of service
- Duration of service
- Site of service, if other than the site certified
- A narrative description of the mental health interventions of the service.
- Other progress notes requirements contained in Section 5122-27-04(I) of the Ohio Administrative Code.
- Signature and discipline of direct care staff providing the service.

We compared the monthly billing statements to the progress notes processed monthly. We noted that Beech Brook did not have progress notes, or individual progress reports for 61.47 units billed for community support counseling (group and individual), partial hospitalization, or medication out of 719 units tested. Total dollar amount of missing progress notes equaled \$6,323.

Lack of supporting documentation can give the appearance of impropriety.

Federal Questioned Cost: \$6,323

Office of Management and Budget (OMB) A-122 “Cost Principles of Non-Profit Organizations,” requires that

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for a cost to be allowable, it must, among other factors be adequately documented.⁴⁸ By failing to maintain progress notes and individual progress reports for medicaid reimbursements Beech Brook was in violation of its agreement with (ODMH), and Ohio Admin. Code Section 5122-2-3-02(A)(9) in the amount of \$6,323. The federal questioned cost totaled \$6,323.

Management Comment:

We recommend that, Beech Brook, in order to comply with Ohio Admin. Code 5101:3-1-198(E), adopt written policies and procedures regarding access, confidentiality, maintenance, security and disposal of all records maintained by the agency. These policies should include procedures to implement controls for an effective system for monitoring costs and to ensure that proper amounts are billed and received for services rendered, and that ledgers are updated in a timely manner.

Beech Brook should also develop a method to ensure that all required documents are completed and maintained as required by the Ohio Administrative Code. We further recommend that a system of monitoring be developed to help ensure compliance.

The client admits that there were problems in 1998, however since then changes have been implemented to correct the problems.

ISSUE 7	TEST OF MEDICAID SERVICES
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Objective:

To ascertain if there was proper documentation of the monitoring of the Medicaid counseling.

Procedures Performed:

1. We determined if Beech Brook performed the required monitoring in compliance with Ohio Admin. Code Section 5101:3-4-02.
2. We determined if services were being performed on the dates billed for by Beech Brook
3. We determined if qualified personnel were providing the required service.
4. We determined if the required Medicaid reports were being signed by the required individual.

ISSUE 7-1	MEDICAL STAFFING
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Results:

Ohio Administrative Code section 5122-29-17(F)(6)(b) states that, " The agency is responsible to ensure that

⁴⁸ OMB Circular A-122 "Cost Principles of Non-Profit Organizations", Attachment A, Paragraph A(2)(g).

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support services in such written agreements are in compliance with the requirements of provider qualifications according to rule 5122-23-14 of the Administrative Code. . . .”

Ohio Administrative Code section 5122-29-05(B) states that, “The agency shall have policies and procedures regarding staff qualified to provide medication services according to Chapter 5122-23 of the Administrative Code, including, but not limited to the process of responding to physician orders, dispensing or administering medication, monitoring side effects and adverse reactions of medications or conducting medication groups or classes.”

We compared the Progress Note signatures to the Clinical Staff Roster and noted the following exceptions.

- Partial Hospitalization services were being provided by Mental Health Specialist without apparent Licenced Supervision.
- Community Support Individual services were being provided by Mental Health Specialist without apparent Licenced Supervision.
- Medication services were being provided by Mental Health Specialist without apparent Licenced Supervision.
- Counseling Individual services were being provided by Mental Health Specialist without apparent Licenced Supervision.
- Diagnostic Assessment services were being provided by Mental Health Specialist without apparent Licenced Supervision.

Beech Brook allowed unauthorized staff to sign off on records for 218 of the 719 service units tested.

Management Comment:

We recommend that, Beech Brook establish written policies and procedures regarding procedures for completing medicaid records. These policies should include procedures to implement controls for an effective system for monitoring costs and to ensure that proper amounts are billed and received for services rendered, and that ledgers are updated in a timely manner.

As of January 2002, Beech Brook established a written policy on the qualifications an individual must possess in order to provide mental health services.

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SUMMARY OF FEDERAL QUESTIONED COSTS

JANUARY 1, 1998 - DECEMBER 31, 1998

QUESTIONED COSTS	ISSUE NUMBER	PAGE NUMBER	AMOUNT
Undocumented and Unallowable Costs	1-1	12	\$28,016
ODJFS Systemic Overpayment of Title IV-E Maintenance ⁴⁹	3-1	21	\$51,732
Undocumented Medicaid Service Costs ⁵⁰	6-1	31	<u>\$6,323</u>
TOTAL FEDERAL QUESTIONED COSTS			<u>\$86,071</u>

⁴⁹ This Federal Questioned Cost resulted from the overstatement of maintenance claimed by county agencies, see Issue 3-1.

⁵⁰ This Federal Questioned Cost resulted from Beech Brook's apparent overbilling of medicaid services it provided to the Cuyahoga County Mental Health Board and CCMHB's resulting payment to Beech Brook.



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BEECH BROOK
CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 9, 2002**